
Economy shows “early signs of sustainable strength”: S&P

By Editor Test Wed, Aug 22, 2012

“While it may be too early to conclude that the economy has fully emerged from the second quarter ‘soft patch,’ economic conditions have not continued to deteriorate in July and early August,” an S&P release said.

Growth for 3Q 2012 currently stands at 0.90%, considerably better than the negative 2% growth expected at the start of second quarter earnings season, according the August 17th Lookout Report from S&P Capital IQ’s Global Market Intelligence unit.

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These views are published in the *Lookout Report for August 17, 2012*. The report also features market insights and commentary on corporate earnings, leveraged loan trends, and commodity index activity.

Highlights of the August 17th *Lookout Report* include:

The Indian stock market is uninviting. An “anemic outlook for the national economy and a sharp decline in foreign direct investment signal potentially acute currency weakness [are] symptomatic of a prolonged period of internal economic adjustment. Such a scenario could prove discouraging for bond and stock investors alike.”

Global sales of S&P 500 companies “difficult to obtain.” In 2002, S&P Indices removed foreign companies from the S&P 500 Index, rendering Although the S&P 500 Index is a pure U.S. play (foreign companies were removed in 2002) a company classified as U.S. can be global. A company’s reports often show its globalization, but exact sales and export levels are difficult to obtain.

Refinance flood; high-yield “on fire”: In the first 17 days of August, arrangers have launched about \$11.2 billion of institutional loans, versus \$19.9 billion in all of July 2012 (and far ahead of the \$1.4 billion in August 2011, when S&P’s Ratings Services downgraded U.S. debt). The high-yield market has been “on fire,” with \$19.2 billion of deals printing in the month to date, versus \$21.2 billion in all of July and \$7.3 billion in August 2011.

Europe is a drag: Europe’s slowdown activity is the “main drag on the global economy,” according to recent global data releases Risk-reward profiles—as measured by average R2P scores—have deteriorated throughout the world in August ,with decreasing returns and increasing market risk. The score decline was even sharper in Europe.

A review of technology IPOs: The GMI research team examined the performance of U.S. tech IPOs with proceeds of \$500 million or greater that came to the market since Google’s debut in August 2004. We found that Facebook shares have slumped by more than 42%, while Freescale Semiconductor Ltd. shares

have gained more than 20%.

Energy and “backwardation” lead index gains: Middle East tensions have been a main driver of petroleum price gains in August. Agricultural prices have declined. Backward shaped futures curves have boosted commodity investor returns, adding to total returns for the index.

The *Lookout Report* provides cross-market and cross-asset class views of current data and forward-looking insights from S&P market specialists who focus on aggregated corporate earnings, market and credit risk evaluation, capital markets activity, index investing and proprietary data and analytics. It can be accessed on S&P.com, the S&P Global Credit Portal and Capital IQ.

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